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October 22, 2001

VIA HAND DELIVERY

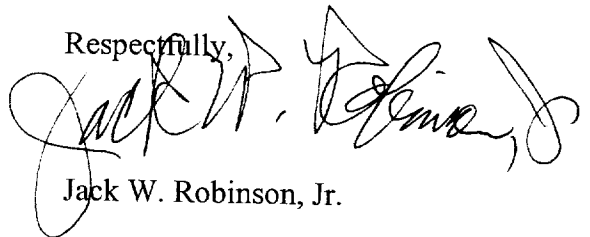
Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37201

Re: Generic Docket Addressing Rural Universal Service
Docket No. 00-00523

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of AT&T's Comments in response to Mr. Stephen Kraskin's letter to the Tennessee Regulatory Authority dated September 4, 2001. Copies are being served on counsel for parties of record.

Respectfully,



Jack W. Robinson, Jr.

JWRjr/ghc
Enclosures

cc: Counsel of record
Garry Sharp

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of:

Generic Docket Addressing)	Docket No. 00-00523
Rural Universal Service)	

COMMENTS OF AT&T

AT&T Communications of the South Central States, Inc. (AT&T), pursuant to the Hearing Officer's Notice dated September 20, 2001, submits these comments in response to the September 4, 2001 letter from Stephen G. Kraskin on behalf of the Coalition of Small LECs (the Coalition). It is premature to assess the impacts of proceedings at the Federal Communications Commission (FCC) that have not been completed. Consequently, it would be an inappropriate and wasteful use of the TRA's and other parties' resources to embark upon the course suggested by the Coalition. If the TRA is inclined to begin to examine the ability of the Coalition to meet its universal service obligations, it should require the Coalition to undertake cost of service studies to facilitate a reasonable comparison between costs and current revenues.

In its September 4, 2001 letter, the Coalition references four FCC proceedings that the Coalition believes will "likely" place increasing pressure on its members to raise basic local service rates. Although the relief it is seeking is vague, the Coalition suggests that it "may" be appropriate to consider expanding the scope of Docket No. 00-00523 and to consider the impact of the FCC proceedings at informal workshops. AT&T submits that holding hearings or workshops regarding the impact of these FCC proceedings would be an inefficient use of the limited resources of all parties involved. The FCC has already

entered orders in Docket No. 96-45, *In the Matter of Federal-State Joint Board on Universal Service* and CC Docket No 99-68, *In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic*, but has not yet issued its decision in the other two dockets. Indeed, Docket No. 96-45 has resulted in an increase in federal universal service support for rural carriers, not a decrease. In addition, Docket No. 01-92 is a relatively new proceeding and it is much too early to anticipate a final determination of that case. Therefore, hearings or workshops at this juncture would be unproductive at best.

At page two of the September 4, 2001 letter the Coalition references “the emergence of a simplistic federal regulatory response that ignores both the historic foundation of the existing federal-state regulatory LEC cost recover (sic) system and the current and continuing conditions applicable to the provision of universal service in rural areas.” If the TRA desires to further examine the status of universal service in Tennessee, it would be appropriate to begin by looking at the Coalition members’ cost of providing basic local service.

The Coalition letter implies that the current cost recovery system in today’s environment is insufficient to produce a reasonable rate of return. This is simply not the case. In fact, three of the Coalition’s members, Crockett Telephone Company, Peoples Telephone Company and West Tennessee Telephone Company, are currently involved in a proceeding before the TRA to determine the disposition of revenues they have collected in excess of their authorized rates of return.¹ These companies are charging rates that are

¹ *Joint Petition of Crockett Telephone Company, Inc., Peoples Telephone Company, West Tennessee Telephone Company, Inc., and the Consumer Advocate Division of the Office of the Attorney General for the Approval and Implementation of Earnings Review Settlement*, Docket No. 99-00995.

producing excessive earnings at the present time and have been doing so continuously for the past ten (10) years.² Consequently, at least some of the Coalition members are currently collecting more than is needed to cover their costs – including the costs associated with universal service and a reasonable rate of return.

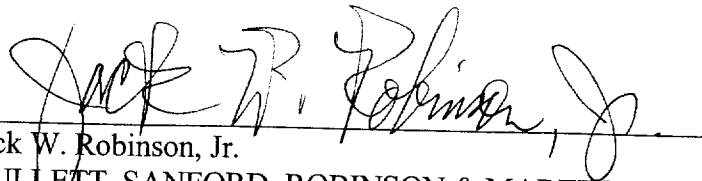
If there are at least three members earning excessive profits, there may be more. In the discovery phase of Docket No. 99-00995 the LECs refused to disclose their cost of providing basic local service on the basis that “... the costs of providing local residence, business service or access services is unknown. ...[T]he TEC Companies [do not] have cost information for local service.”³ There is no way the TRA can determine the impact of certain FCC decisions until it knows the starting point at which it must measure that impact, i.e., the cost of providing universal service. Therefore, the logical beginning of any proceeding analyzing the Coalition’s ability to provide universal service is for those companies to undertake cost of service studies.

Based on the foregoing reasons, AT&T submits that any analysis of FCC proceedings is premature and that if the TRA is inclined to take any action regarding universal service for rural companies at this time, it should require necessary cost data from those companies.

² See Docket No. 99-00995, prefiled testimony of Robert T. Buckner (on behalf of the Consumer Advocate Division), September 7, 2001.

³ See Responses of Crockett Telephone Company, Inc., Peoples’ Telephone Company, and West Tennessee Telephone Company, Inc. to AT&T Communications of the South Central States, Inc.’s Revised First Set of Discovery Requests, Docket No. 99-00995, Response 2(a), October 10, 2001.

Respectfully submitted this 22nd day of October 2001.

A handwritten signature in cursive script, reading "Jack W. Robinson, Jr.", written over a horizontal line.

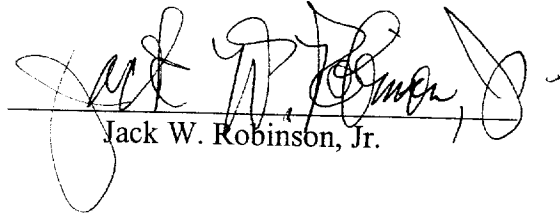
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CERTIFICATE OF SERVICE

I hereby certify that a copy of AT&T's Comments has been served via U.S. First Class Mail, postage prepaid, to the following counsel of record this 22nd day of October, 2001.



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